

STATE OF WASHINGTON



**OFFICE OF
INSURANCE COMMISSIONER**

**BEFORE THE INSURANCE COMMISSIONER
OF THE STATE OF WASHINGTON**

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In the Matter of

No. D2000-50
Consent Order Levying a Fine

RELIANCE NATIONAL INSURANCE COMPANY AND RELIANCE NATIONAL INDEMNITY
COMPANY,

Authorized Insurers

FINDINGS OF FACT:

1. Reliance National Insurance Company and Reliance National Indemnity Company ("Reliance" or the Companies") are property and casualty carriers licensed to do business in the State of Washington.
2. In December 1999, industry sources met with representatives of the Office of the Insurance Commissioner ("OIC" or the "agency"). The sources alleged that Reliance was illegally marketing and selling workers' compensation coverage in the state.
3. The OIC conducted an investigation and found that Reliance did not file rates or forms with the agency for its workers' compensation insurance products. Reliance admitted the violations in a January 12, 2000 letter to the OIC.
4. The investigation revealed that the Companies issued a total of nine policies that generated approximately \$800,000 in premium for which there were no filed rates and forms.

5. The violations at issue here occurred during, and in the immediate aftermath of, another OIC investigation of Reliance. That investigation, which resulted in Reliance paying \$25, 000 fine, also involved unfilled rates.
6. Reliance took substantial remedial action prior to the resolution of this matter.

CONCLUSIONS OF LAW:

1. Reliance's failure to file its rates with the OIC within thirty days of issuing commercial property casualty policies is a violation of RCW 48.19.043.
2. Reliance's failure to file commercial property and casualty forms with the OIC within thirty days of their use is a violation of RCW 48.18.103.
3. RCW 48.05.185 authorizes the Commissioner to impose a fine in lieu of the suspension or revocation of a company's certificate of authority.

CONSENT TO ORDER

Reliance hereby admits to the foregoing Findings of Fact and Conclusions of Law. The Companies hereby consent to the entry of this order.

The Commissioner has offered a settlement in lieu of suspending or revoking the Companies' certificates of authority.

By agreement of the parties, the OIC will impose a fine of \$320,000, and suspend \$160,000, on condition that:

1. Reliance pay \$160,000 of the fines for its violations of Washington insurance law.
2. Reliance refund any excess premium it collected on the policies at issue here should the approved rates be lower than the rates actually charged.
3. Reliance follow the procedures set forth in Exhibit A.
4. Reliance commit no further violations of the statutes and regulations that are the subject of this Consent Order for a period of two years from the date on which this Order is entered. Violations that arise out of the pending market conduct examination of Reliance shall not be considered violations of this Order. Nothing in this Order shall be construed as a waiver or limitation on the OIC to pursue enforcement action against Reliance should the pending examination find violations of Washington insurance law.

Reliance also expects to institute additional appropriate compliance procedures to reduce the likelihood of future violations. In light of the pending proposed acquisition of Reliance, the OIC and Reliance or its successor companies agree to meet within one-hundred-twenty-days of the date of the entry of this Order to determine what changes, if any, are needed.

This fine must be paid in full within thirty days of the entry of this Order. Pursuant to RCW

48.05.185, failure to pay the fine within the allotted time shall constitute grounds of revocation of the insurers' certificates of authority, and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

Reliance acknowledges its duty to comply fully with the applicable laws of the State of Washington. This agreement is binding on any successors in interest in the Reliance Companies.

EXECUTED this 22 day of June, 2000.

Theresa M. Morgan
Reliance National
First Vice President
Chief Compliance Officer &
Associate General Counsel

ORDER

Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of three hundred twenty thousand dollars, with one hundred sixty thousand dollars suspended, upon Reliance National Insurance Company and Reliance National Indemnity Company. The fine must be paid in full within thirty days of the date of entry of this order. Failure to pay the fine within the allotted time shall constitute grounds for the revocation of the insurer's certificate of authority, and for the recovery of the fine in a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

Reliance will perform Conditions One through Four as set forth in the "Consent to Order" section of this Order. The Commissioner may impose the balance of the suspended fine and suspend or revoke Reliance's certificates of authority should the company fail to meet these conditions.

ENTERED AT OLYMPIA, WASHINGTON, this 22 day of June 2000.

Jeffrey Coopersmith

Deputy Commissioner for Legal Affairs
Office of the Insurance Commissioner

